

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 EA-07 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 /095 W
-----161346Z 110526 /47

P R 161201Z APR 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 3930
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 6372

E.O. 11652: GDS
TAGS: EAID, EFIN, EG
SUBJECT: ASSISTANCE TO EGYPT: GODE LOAN

REF: CAIRO 5852

1. IN CONVERSATION WITH ECONCOUN APRIL 16, IBRD VP
BENJENK PROVIDED FOLLOWING FNFORMATION ON STATUS OF
\$1.5 BILLION EMERGENCY ASSISTANCE PACKAGE FROM
GULF ORGANIZATION FOR DEVELOPMENT OF EGYPT (GODE).
MANY OF QUESTIONS AS TO HOW MONEY IS TO BE HANDLED
APPEAR TO BE COVERED BY BENJENK'S PRESENTATION,
ALTHOUGH HE ADMITS THAT CERTAIN ASPECTS ARE
YET UNRESOLVED.

2. BASIS FOR LOAN, WHICH BENJENK DESCRIBED AS FRAME-
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WORK, IS DOCUMENT SIGNED IN WASHINGTON APRIL 7
BETWEEN AND AMONG GOE, GODE, IMF AND MORGAN STANLEY
(REPRESENTED BY EUGENE DEBS). EMBOFF WAS GIVEN BRIEF
LOOK AT PAPER, WHICH SPECIFIES PROCEDURES TO BE
FOLLOWED IN PAYING OUT \$1,475 BILLION (SIC) OVER
PERIOD OF TIME "WHILE EGYPT IS CARRYING OUT ITS
DECLARED POLICIES TO CORRECT ITS BOP DISEQUILIBRIUM".

3. FUNDS ARE TO BE USED TO COVER ARREARS IN BANKING FACILITIES AND SUPPLIERS CREDITS, WHICH DOCUMENT SAYS TOTALED \$825 MILLION ON APRIL 15 (VICE ABOUT \$420 MILLION IN JANUARY OF THIS YEAR). EACH CREDITOR IS TO RECEIVE \$1 MILLION IMMEDIATELY, AND GOE IS THEN TO UNDERTAKE SYSTEMATIC REPLAYMENT OF ALL ARREARAGES UNDER CLOSE AND CONSTANT SUPERVISION OF MORGAN STANLEY, WHO WILL DOLE OUT THE FUNDS WHEN ALL ARE AGREED.

4. LANGUAGE OF DOCUMENT IS SOMEWHAT EMBARRASSING (BENJENK CALLED IT DEMEANING), AND PUTS EGYPTIAN GOVERNMENT AGENCIES AND OFFICIALS IN POSITION OF BEING MONITORED BY A PRIVATE BANK. BENJENK SAID HE HAS FEELING THAT SADAT IS NOT FAMILIAR WITH DETAILS OF THE LOAN, AND THAT MINECON EL SAYEH (WHO SIGNED FOR GOE) AND DEP PM KAISOUNI HAVE ONLY TOLD HIM MONEY IS COMING, NOT BY WHAT MEANS. (BENJENK ALSO SAID LACK OF DIRECT PRESIDENTIAL CONCERN IN ECONOMY IS MAJOR WORRY OF CG MEMBERS AND IS SUBJECT HE INTENDED TO RAISE WITH SADAT - SEPTTEL - IN MEETING WHICH FOLLOWED CONVERSATION REPORTED HEREIN.)

5. FINAL DETAILS OF THE LOAN ARE TO BE WORKED OUT IN KUWAIT WHERE KAISOUNI HAS GONE FOR ARAB FUND MEETING (REPLACING MIN FIN HAMID WHO IS ILL). EGYPTIANS EXPECT TO HAVE THE MONEY IN THE NEXT FEW WEEKS, WHICH BENJENK SAID IS A POSSIBILITY.

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6. BENJENK ADDED THAT ONE OF CAUSES FOR SHARP INCREASE IN ARREARAGES MENTIONED PARA 3 IS FACT THAT EGYPTIANS HAVE EVIDENTLY NOT UTILIZED \$250 MILLION CASH LOAN RECEIVED FROM GODE IN FIRST OF YEAR. REASON FOR THIS, HE SAID, IS FEAR THAT IF MONEY IS SPENT, ARABS WILL DEDUCT IT FROM \$1.5 BILLION CURRENTLY UNDER NEGOTIATION. FOR TACTICAL REASONS, THEREFORE, \$250 MILLION ARE BEING KEPT IN READINESS--WHILE PENALTY CHARGES CONTINUE TO PILE UP.

7. COMMENT: IT IS QUITE POSSIBLE SADAT DOES NOT KNOW DETAILS OF GODE LOAN, NOR DO WE THINK HE WOULD BE CONCERNED IF HE DID. IMPORTANT THING IS TO GET THE MONEY, WHICH EGYPT NEEDS RATHER BADLY, AND GET ON WITH CG MEETING. NONETHELESS, LACK OF DIRECTION AND CONTROL OF ECONOMY IS ONE OF MAJOR PROBLEMS FACING EGYPT, AND ARABS EVIDENTLY FEEL QUITE STRONGLY ON THE SUBJECT AS REVEALED BY GODE AGREEMENT.
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Message Attributes

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Disposition History: n/a
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